

Personal income tax: Evidence from South Africa

By Jean Luc ERERO [†]

Abstract. The purpose of this paper was to assess the nationalities of Personal Income Tax (PIT) payers. This study used critical data from three sources – the South African census (Statistics South Africa (Stats SA)), tax assessments and IRP5s (South African Revenue Service (SARS)). IRP5 is a document that is known as an employee's tax certificate which outlines the employer/employee's related incomes, taxes, and related deductions at the end of each year. Statistical Analysis System (SAS) was used to analyse the data. This study found that 3.7 million assessed taxpayers were identified as contributors of PIT in 2011. Of these PIT payers, 3,681,325 (2,091,615 males and 1,589,710 females) were born in South Africa; 71,404 (46,986 males and 24,418 females) were not born in South Africa; and 37,486 (807 males, 339 females and 36,340 unknown) could not be identified as they had no South African identity document. Data used in this study originated from the results of a survey organized by Stats SA and tax assessments supplied by SARS specifically for the period 2001. The study attempted to shed light on the national identity of taxpayers working in South Africa. For comparison purposes, tax assessment data constitutes the originality of this study, as obtaining consistent estimates of earnings mobility remains a non-trivial task in the country.

Keywords. Census; Tax assessment; IRP5; South Africa.

JEL. C88; D31; H24.

1. Introduction

Personal Income Tax (PIT) is South Africa's largest source of tax revenue. PIT contributed 39.1% of total tax revenue collection in 2020/21, reflecting an increase of 0.1% from the contribution share of 39.0% in 2019/20. PIT is a tax levied on the taxable income (gross income less exemptions and allowable deductions) of individuals and trusts, and is determined for a specific year of assessment. Taxable capital gains form part of the taxable income of personal income taxpayers. PIT collections are comprised of three different taxable income streams: (1) Employees' tax (PAYE) collected by employers on behalf of employees; (2) Provisional tax (payable by any person who derives income other than remuneration, an allowance or an advance); and (3) Assessed tax, which is paid on final assessment. Most individuals receive their income as salaries/wages, pension/annuity payments and/or investment income (interest, taxable dividends or capital gains). Income from salaries, wages and other remuneration accounted for 76.3% of individuals' total taxable income for the 2020 tax year. Individuals who also have business income are registered as provisional taxpayers (SARS, 2021).

[†] South African Revenue Service, Operational Research, Pretoria, Pretoria, South Africa.

☎. +2712 422 6898 ✉. jereroa@sars.gov.za

Turkish Economic Review

The Budget presented by the Minister of Finance in February 2019 included increases of 5.3%, 5.2% and 5.5% in the primary, secondary and tertiary rebates to R14,220, R7,794 and R2,601 respectively. This increased the minimum tax thresholds for taxpayers below the age of 65 years to R79,000, for those 65 to 74 years to R122,300 and 75 years and older to R136,750. SARS received more than 19 million employees' tax certificates (IRP5s and IT3(a)s) in 2018, which could be linked to nearly 13.6 million individuals. Assessed data for individual taxpayers indicated that, of the 5,418,820 taxpayers expected to submit returns for the 2019/20 tax year, 5,213,796 (96.2%) had been assessed as at the end of September 2021 (SARS, 2021).

According to SARS (2021), the assessed taxpayers had an aggregate taxable income of R1.8 trillion and a tax liability of R407.2 billion. Their average tax rate was 22.4% compared to 22.3% in the previous tax year. Income from salaries, wages and other remuneration, including pensions, overtime and annuities, accounted for 76.1% of their total taxable income.

In relation to the 2020 tax year, SARS received more than 19 million IRP5 and IT3(a) certificates showing pay-as-you-earn (PAYE) collection of R489 billion. As more than one IRP5 certificate can be issued to an individual, SARS applies a set of business rules to enable it to accurately identify the taxpayer named on the certificate and, where necessary, link all the IRP5 certificates issued to an individual. If any of the identification rules are not met, an individual's tax return is not pre-populated with information from the tax certificates. SARS identified nearly 13.5 million unique individuals in 2020. These unique individuals should not be regarded as an indication of the number of people working in the formal labor market, however, as some individuals who are not formally employed are also issued with tax certificates. These include individuals who receive benefits from retirement funds or annuities. SARS could not link all the IRP5 certificates to specific individuals, as some certificates were incorrectly completed by employers or contained inaccurate information. An analysis of the IRP5 certificates linked to the 13.5 million unique individuals identified by SARS revealed that 6.4 million were female and 7.1 million were male. Just over 7.6 million of these individuals had certificates on which at least R1 of PAYE was deducted, while 7.4 million had certificates where no PAYE was deducted (for example, taxpayers earning less than the minimum tax threshold, independent contractor income and non-taxable amounts) (SARS, 2021).

In this study, the focus is on classifying taxpayers according to their country of birth. Three official censuses have been completed since South Africa's first democratic election in 1994. The first census took place in 1996, the second in 2001, and the third in 2011, with the latest census starting in February 2022. The population in 1996 was 40.6 million, which increased by 10.4% to 44.8 million in 2001. The population grew by 15.5%, or almost 7 million people, in the space of 10 years, reaching a total of 51.7 million in 2011. According to the 2010 revision of the United Nations Secretariat's *World Population Prospects*, South Africa's total population was 50,133,000 in 2010, compared to only 13,683,000 in 1950 (SARS, 2011).

Turkish Economic Review

South Africa hosts a sizeable refugee and asylum seeker population. According to the *World Refugee Survey 2008*, published by the U.S. Committee for Refugees and Immigrants, this population numbered approximately 144,700 in 2007. Groups of refugees and asylum seekers numbering over 10,000 included people from Zimbabwe (48,400), the Democratic Republic of the Congo (24,800), and Somalia (12,900). These populations mainly lived in Johannesburg, Pretoria, Durban, Cape Town and Port Elizabeth, however many refugees have now started to live and work in rural areas in provinces such as Mpumalanga and KwaZulu-Natal ([Refwold, 2008](#)).

Stats SA ([2011](#)) assumes in some of its calculations that there are fewer than two million immigrants in South Africa, whereas other institutions, such as the police and “Medecins Sans Frontieres”, estimate the figure at four million ([OECD, 2012](#)). Furthermore, the population of South Africa has uncommon profile, which is marked by a heterogeneous population base, social issues brought about by the legacy of apartheid, divisions within ethnic groups, and emigration. The multi-cultural nation’s demography consequently plays a prominent role in public policy.

Recently, South Africa's immigration policy has sought to respond to the need for skilled immigrants through amendments to the Immigration Act, which facilitates the arrival of scarce skills. There is little regional legislation, however, beyond the Southern African Development Community Protocol on the Facilitating of Movement of Persons. The country also needs to adopt a much more progressive migration policy in relation to skilled and unskilled migrants. Immigrant workers can make a substantial contribution to economic growth and job creation, yet the threat of xenophobia could destabilize communities. In this regard, effective planning for migration and rapid urbanization is important.

An employer who is liable to pay remuneration to an employee has an obligation to deduct employees’ tax from the remuneration and pay the tax deducted to SARS on a monthly basis. Employees’ tax refers to the amount of tax that is deducted upfront by an employer from all remuneration paid to an employee, whether they were born in South Africa or not. The tax to be deducted is based on the tax liability according to the statutory rates applicable to the taxable income of an individual, and can be deducted on a monthly or weekly basis. The South African income taxation system is a residence-based system, which means residents are taxed on their worldwide income, irrespective of where income is earned. Non-residents are also taxed on their income from a South African source. Taxes raised on foreign income are credited against South African income tax payable where such double tax agreements exist. With a residency-based tax system, all those employed in the country should have PAYE deducted. This study evaluated the expected PIT contribution of non-South African born from census data, in comparison with assessment and IRP5 data for 2011.

Over the last two decades, academics and policymakers have shown great interest in immigrant mobility, i.e., the strength of the association between individuals’ social origins and social destinations. Economists have added much to this debate, particularly through their examinations of earnings (or

J.L. Erero, TER, 9(1), 2022, p.15-36.

Turkish Economic Review

incomes) and skills mismatches. Nonetheless, due to data limitations, obtaining consistent estimates of earnings mobility remains a non-trivial task (Lucas, 1997; Battu & Sloane, 2004; Bowles & Dorrit, 2005). The contribution of this paper is to present new evidence on the payment of PIT by South Africans and people not born in South Africa (immigrants). The authors used SAS to evaluate PIT contributions through an analysis of three different data sources associated with South Africans and immigrants. These data sources included the 2011 census by Stats SA (2011) and IRP5 and assessment data produced by SARS (2014) from 2011. Taxpayers in this information are classified by their countries of birth. This paper is organized as follows: Section 2 presents the literature review; Section 3 describes the methodology used; Section 4 analyses the data; and Section 5 provides a recommendation and conclusion.

2. Literature review

In South Africa, any person who derives income other than remuneration, an allowance or an advance, as described in section 8(1) of the Income Tax Act 58 of 1962, is a provisional taxpayer. Provisional tax is not a separate tax, but rather a method of paying tax due in advance to ensure the taxpayer does not have to pay a large amount upon assessment, as the tax liability is spread over the relevant year of assessment. This requires provisional taxpayers to pay at least two amounts in advance during the year of assessment, which are based on estimated taxable income after deducting employees' tax. A third payment is optional after the end of the tax year, but before the issuing of the assessment. Final liability, however, is determined on assessment. The employees' tax and provisional tax payments made during the year reduces the liability for normal tax for the applicable year upon date of assessment.

During 2010, SARS changed its registration policy and stipulated that everyone formally employed, regardless of their tax liability, must be registered for PIT. If employees were not registered, it was the duty of their employer to register them with SARS. As a result, the tax register grew from 5.9 million at 31 March 2010 to 22.9 million as at 31 March 2020. Not all registered taxpayers pay tax, however, such as taxpayers with taxable income below the minimum income tax threshold (SARS, 2021).

The proportion of tax returns that have been received by SARS is measured against the number of returns expected to be submitted by registered taxpayers. Some individuals are not required to submit a tax return because their earnings are below the minimum income tax threshold, they are unemployed, or their taxable income is below the compulsory submission threshold.

The theories behind people's decisions to migrate, both internally and internationally, have evolved greatly over time, with each new theory adding its own dimension to this multifaceted issue. The most traditional economic view of migration is that postulated by neoclassical economics, which holds that the migration decision is made at the individual level as a standard cost-benefit calculation – an individual will migrate if their

Turkish Economic Review

discounted net future earnings (returns to skills) in the destination area outweigh those in their area of origin (Borjas, 1989; Borjas & Stephen, 1992). The decision to migrate is thus purely based on self-interest, and is determined by the macro-level supply and demand for labor in the destination and origin labor markets.

Neoclassical economics assumes that all markets are complete and equally accessible by all individuals. These assumptions are, however, largely unrealistic, especially in developing countries, and are challenged in the migration literature by the 'new economics of migration' outlined by Stark & Bloom (1985). This theory assumes that markets – excluding the labor market – such as capital and insurance markets are in fact imperfect and inaccessible. According to this theory, the migration decision for a particular individual is instead taken at the household level as a means to spread risk and access additional capital that they are unable to acquire in their area of origin. The new economics of migration thus incorporates uncertainty and market failure, and rather than being an individual cost-benefit calculation, the migration decision is simply a part of the household's broader strategy for income generation and risk management (Massey & Kristin, 1997).

With reference to the patterns of internal migration observed in South Africa, neoclassical economics would imply that rural-to-urban migration is purely a result of higher returns to skills in urban areas relative to rural areas, yet while this may be true, this theory does not adequately explain why we still observe oscillating patterns of migration in South Africa, with migrants retaining strong economic ties to their rural communities. The new economics of migration theory goes further than the neoclassical approach by allowing for interaction between the individual's decision to migrate and the interests of the household from which the individual comes. This theory was, in fact, originally used as a means for understanding an individual's motivation to remit income post-migration, which, as mentioned above, is prevalent in South Africa (Lucas and Stark, 1985; Stark and Lucas, 1988). It is plausible that due to the inability for many to generate an adequate income in rural parts of South Africa, sending a member of the household to find work in a city could constitute a form of insurance against income uncertainty (Posel, 2010).

In addition to the theoretical motivations for migrating, much of the empirical literature, especially the South African literature, is focused on understanding which factors facilitate the actual decision to migrate. As mentioned above, present day South Africa has inherited an ingrained system of oscillating and male-dominated migration, thus it is interesting to explore how the patterns of migration are changing and what factors play a role in people making their current migration choices (De Haas, 2010).

The European Social Survey (ESS) provided evidence of the extent to which individuals from migrant and ethnic minority backgrounds are more likely to experience negative labor market outcomes such as overeducation, unemployment, inactivity, low intergenerational mobility, feelings of discrimination and lower household income. These effects are largely felt by

Turkish Economic Review

migrants from outside the EU rather than those moving within the EU ([Baker & Benjamin, 1994](#)).

Herbert (2022) indicated that more than 51 million people worldwide are forcibly displaced today as refugees, asylum seekers or internally displaced persons. According to the 1951 Geneva Convention Relating to the Status of Refugees, to be identified legally as a refugee, a person must be escaping persecution on the basis of religion, race, political opinion, nationality or membership in a specific social group, and must be outside their country of nationality. Nonetheless, the modern drivers of displacement are complex and multilayered, making labor market success gradually more problematic and challenging to assess in various countries ([Migration Policy Institute, 2015](#)).

Nowadays, many forced migrants fall outside the identified refugee and asylum apparatus because their displacement is driven by a combination of intrastate conflict, poor governance, political instability, environmental change and resource scarcity. These conditions leave individuals highly vulnerable to danger and uncertain of the future, compelling them to leave their homes in search of greater security. In addition, the blurring of lines between voluntary and forced migration, as seen in mixed migration flows, together with the expansion of irregular migration, further complicates today's global labor market.

Skills are a key driver of labor market success, competitiveness and social inclusion for individuals, enterprises and societies. High-level skills are not only a prerequisite for employment, higher wages, productivity, innovation and continued economic growth, but they also empower individuals to be active and productive members of society. Skills, however, need to keep up with rapid technological progress, organizational change in the workplace and labor market change. At the same time, there is a growing concern with the so-called 'gaps' between the skills provided by education and training systems, the needs of the current and future labor markets, and the extent to which such skill mismatches are a cause of high unemployment rates amongst young people. There is also growing evidence that the skills of EU employees are underused in workplaces that do not fully harness people's potential ([Herbert, 2022](#)).

International migration is sometimes seen as a way to a better match between the supply of people with the right skills and the demand for labor. Substantial progress can be made by looking at how the skills and potential of migrants can alleviate future skills shortages. In debates on tapping the potential of these groups the issue of recognition and validation of qualifications is a core element, but there is relatively little empirical evidence on the extent to which their skills match the jobs they hold ([Chiswick & Miller, 2009](#)).

Cross-country comparisons of immigrant status are not straightforward. In the major settlement countries, immigrants are the foreign-born, but in many OECD countries, they are those with foreign nationalities. While foreign-born people can acquire the nationality of their country of residence, native-born people do not necessarily acquire the citizenship. To address this

J.L. Erero, TER, 9(1), 2022, p.15-36.

Turkish Economic Review

problem, the OECD (2008) created a new database on immigrants in OECD countries (DIOC), which focuses on their countries of origin (as does the ESS). However, this did not eliminate all difficulties, as those born abroad but owning citizenship on the grounds of their parents' citizenship – *jus sanguinis* – may be included in the immigrant population. Uncertainty has also arisen over the degree of completeness in the coverage of certain groups, such as undocumented migrants, short-term migrants and asylum seekers. DIOC is also unable to manage the geographic location of education and training received, which may affect its quality, either real or perceived.

In an early US study, Chiswick (1978) found that native-born Americans received a return of 7.2% for a year of education, compared to 5.7% for the foreign-born. Similar findings were reported for Canada (Baker and Benjamin, 1994), Australia (Beggs & Chapman, 1988), and the UK (Shields & Price, 1998), as well as in some other countries including Germany and Israel. Chiswick & Miller (2009) suggested three possible explanations for this:

- (a) There may be self-selection in migration which impacts more on the less educated.
- (b) There may be a low degree of international skills transferability.
- (c) Discrimination may increase with level of education.

In a further paper, Chiswick & Miller (2009) suggested some theoretical explanations for these empirical regularities. These included search and match theory, as immigrants may lack information on the nature of the host country's labor market, although this effect should diminish over time. Human capital theory implies that immigrants may have difficulty transferring their foreign qualifications and work experience to a destination country, although formal education may be more transferable than experience. Advocating that technology progress will take place over time and be accompanied by a resultant shift in labor demand, technology change theory implies that the incidence of overeducation among immigrants will be related to the stage of economic development in the countries of origin and destination, with those from less developed countries suffering from a greater degree of overeducation. For example, a mechanical engineering qualification in a less developed country may be of little relevance in a more developed country, demanding equivalent-level qualifications of a more electronic nature. Hence, much of this overeducation may be ascribed to the problem of horizontal mismatch. Finally, the screening hypothesis implies that risk averse employers may be uncertain about what, precisely, foreign qualifications signal, so there may be considerable overeducation at date of arrival, which should gradually decline over time as the migrants display their true level of productivity. However, with no adequate data it is difficult to obtain evidence for this.

The European Union (EU) suggested that, in terms of employment and unemployment, immigrants have fared better in the new host countries of southern Europe than in the old member states of northern Europe. It attributes this to several factors, i.e., the relatively high shares of migration in northern Europe which are unrelated to employment, but more to humanitarian concerns; the tougher restrictions on access to employment in

J.L. Erero, TER, 9(1), 2022, p.15-36.

Turkish Economic Review

northern Europe and lower acceptance of undeclared or irregular work; and differences in the welfare state systems, with the less generous systems in southern Europe putting greater pressure on migrants to work there. The European Commission (2008) drew attention to the need to distinguish between mobility within the EU and migration from outside the EU, referred to as third country migrants. The latter are twice as numerous as the former, face unemployment rates which are three times as great, have lower employment rates, and are more likely to have lower quality jobs or ones for which immigrants are overqualified.

3. Methodology

SAS was used to analyse the data. Text file data was converted to the SAS format by performing various validity checks and filters for the 2011 census, which was a nationally representative sample of South Africa households. A 10% sample from the census' data was used, which needed to be weighted because the various individuals in the sample had different incomes. Variables such as country of birth, gender and income group were used to evaluate the PITs of South Africans and those not born in South Africa. Contrary to the census data, ID numbers served as the most important variable to identify the gender of individuals when analyzing the assessment and IRP5 data. The third last digit of the ID numbers was used specifically to distinguish the country of birth for each income earner. This method was also applied to the assessment and IRP5 data. Although the tax thresholds were modified in 2013, we considered the levels for 2011 which were relevant for comparison with the census data. In 2011, the tax thresholds were R46,000 (below age 65) and R74,000 (age 65 and above). With this information in hand, it was then possible to compare taxable income in the assessment data with gross income from the census and tax certificates. One section of the SAS programme used is presented below:

```
/* Create Income Brackets table with the required fields for analysis */
PROC SQL;
CREATE TABLE TEST_RAP.RES300_INC_BRACKET AS
SELECT IRP5_IT3A_ID,AGE, TAX_YEAR, ID_NO, PASSPORT_NO,TOTAL_INCOME,
CASE
/*Create Income Brackets*/
    WHEN TOTAL_INCOME BETWEEN 0 AND 20000 THEN '0-20000'
    WHEN TOTAL_INCOME BETWEEN 20001 AND 30000 THEN '20001-30000'
    WHEN TOTAL_INCOME BETWEEN 30001 AND 40000 THEN '30001-40000'
    WHEN TOTAL_INCOME BETWEEN 40001 AND 50000 THEN '40001-50000'
    WHEN TOTAL_INCOME BETWEEN 50001 AND 60000 THEN '50001-60000'
    WHEN TOTAL_INCOME BETWEEN 60001 AND 70000 THEN '60001-70000'
    WHEN TOTAL_INCOME BETWEEN 70001 AND 80000 THEN '70001-80000'
    WHEN TOTAL_INCOME BETWEEN 80001 AND 90000 THEN '80001-90000'
    WHEN TOTAL_INCOME BETWEEN 90001 AND 100000 THEN '90001-100000'
    WHEN TOTAL_INCOME BETWEEN 100001 AND 110000 THEN '100001-110000'
    WHEN TOTAL_INCOME BETWEEN 110001 AND 120000 THEN '110001-120000'
    WHEN TOTAL_INCOME BETWEEN 120001 AND 130000 THEN '120001-130000'
    WHEN TOTAL_INCOME BETWEEN 130001 AND 140000 THEN '130001-140000'
    WHEN TOTAL_INCOME BETWEEN 140001 AND 150000 THEN '140001-150000'
    WHEN TOTAL_INCOME BETWEEN 150001 AND 200000 THEN '150001-200000'
```


Turkish Economic Review

```

WHEN TOTAL_INCOME BETWEEN 200001 AND 300000 THEN '200001-300000'
WHEN TOTAL_INCOME BETWEEN 300001 AND 400000 THEN '300001-400000'
WHEN TOTAL_INCOME BETWEEN 400001 AND 500000 THEN '400001-500000'
WHEN TOTAL_INCOME BETWEEN 500001 AND 750000 THEN '500001-750000'
WHEN TOTAL_INCOME BETWEEN 750001 AND 1000000 THEN '750001-
1000000'
WHEN TOTAL_INCOME BETWEEN 1000001 AND 2000000 THEN '1000001-
2000000'
WHEN TOTAL_INCOME BETWEEN 2000001 AND 5000000 THEN '2000001-
5000000'
WHEN TOTAL_INCOME > 5000000 THEN '>5000000'
END AS INCOME_BRACKET
FROM TEST_RAP.RES300_INCOME_YEAR;
QUIT;

/*The number of people by income bracket by year (2008, 2009, 2010 and 2011)*/
PROC SQL;
CREATE TABLE TEST_RAP.RES301_INC_PER_YEAR AS
SELECT INCOME_BRACKET,TAX_YEAR, COUNT(*) AS NO_OF_PEOPLE
FROM TEST_RAP.RES300_INC_BRACKET
GROUP BY INCOME_BRACKET, TAX_YEAR;
QUIT;

/*The number of people by income bracket by ID*/
PROC SQL;
CREATE TABLE TEST_RAP.RES303_INC_BY_PASSPORT AS
SELECT INCOME_BRACKET,PASSPORT_NO, COUNT(*) AS NO_OF_PEOPLE
FROM TEST_RAP.RES300_INC_BRACKET
GROUP BY INCOME_BRACKET, PASSPORT_NO;
QUIT;

/*The number of people by income bracket by passport*/
PROC SQL;
CREATE TABLE TEST_RAP.RES302_INC_BY_ID AS
SELECT INCOME_BRACKET,ID_NO, COUNT(*) AS NO_OF_PEOPLE
FROM TEST_RAP.RES300_INC_BRACKET
GROUP BY INCOME_BRACKET, ID_NO;
QUIT;

```

4. Findings

The population size of South Africa increased noticeably from 40.5 million in 1996 to 51.7 million in 2011, with the share of the population born in a foreign country reflecting a considerable portion of that. Table 2 reports the amount of PIT paid as evaluated through census, assessment and IRP5 data. The census data indicates that migrants born outside of South Africa contributed positively to the South African fiscus in terms of PIT. The number of non-South African born migrants liable for PIT was 316,527 (212,209 males and 104,318 females), compared to 3,618,708 South African natives (2,055,930 males and 1,562,778 females). The category of low income earners was a very large and heterogeneous group, therefore a closer look needs to be taken at the evolution of incomes in different income groups. Table 3 shows the dissimilarities between non-South African born migrants and South Africans, with a substantial difference between the groups for 'no income'. The non-South African born migrants and South Africans recorded 35.1% and 44.7% of people with no income respectively. The majority of

J.L. Erero, TER, 9(1), 2022, p.15-36.

Turkish Economic Review

migrants (15.9%) were in an annual income bracket of between R9,601 and R19,200, while the majority of South Africans (19.1%) were in an annual income bracket of between R1 and R4,800. Furthermore, the biggest income earners (earning more than R2,457,601 per annum) also showed no significant difference, i.e., 0.2% for non-South African born compared with 0.1% for South Africans. This indicates that non-South African born migrants and South Africans had similar income profiles amongst the biggest income earners.

Regarding the assessment data, a total of 5.4 million taxpayers were assessed in 2011. Of these, Table 5 shows that 5,213,240 (2,956,810 males and 2,256,430 females) were born in South Africa, 112,878 (71,306 males and 41,572 females) were not born in South Africa, and 56,847 could not be identified as they had no South African identity document. Non-South African born migrants accounted for only 2.1% of the assessed taxpayers, 63% of whom were males and 37% were females. Amongst the 96.8% of employees who were born in South Africa, the males comprised 57% and the females 43%. Figure 1 shows that the majority of taxpayers earn in the annual income bracket of R76,801 – R307,200, while 0.2% receive the biggest income of more than R2.5 million per annum. In terms of PIT contributions, Table 6 shows that the taxpayers who contributed most PIT were 71,404 non-South African born (46,986 males and 24,418 females), 3,681,325 South African natives (2,091,615 males and 1,589,710 females), and 37,486 people who could not be identified (807 males, 339 females and 36,340 with no identification).

The IRP5 data showed that 16 million IRP5s were submitted during the same period. As mentioned in the methodology section, ID numbers were used to identify the country of birth for each income earner. The South Africans contributed 94% of the IRP5s and the non-South Africans 1.4%. The remaining 4.6% could not be identified. Table 8 shows that of the total of IRP5s submitted, 78,002 were non-South African born (53,225 males and 24,777 females), 4,765,227 were born in South Africa (2,808,017 males and 1,957,210 females), and 2,990,717 were unknown (1,295 males, 125,886 females and 2,863,536 with no identification).

Turkish Economic Review

Table 1. *Number of income earners as per the 2011 census*

	Non SA		SA		Do not know		Unspecified		Missing		Total		Grand total
	M	F	M	F	M	F	M	F	M	F	M	F	
No income	300647	379563	8748796	10469188	1317	1384	104061	115348	5304	8408	9160125	10973891	20134016
	23.7	46.1	39.5	43.7	12.9	21.2	32.2	34.2	1.2	2.8	37.9	43.2	40.6
R1 – R4 800	45776	24888	4130812	4304546	348	206	45566	46979	887	359	4223389	4376978	8600367
	3.6	3.0	18.7	18.0	3.4	3.2	14.1	13.9	0.2	0.1	17.5	17.2	17.3
R4 801–R9 600	78652	32675	619842	853277	479	177	8073	10753	1613	578	708659	897460	1606119
	6.2	4.0	2.8	3.6	4.7	2.7	2.5	3.2	0.4	0.2	2.9	3.5	3.2
R9 601–R19 200	206713	93534	2243917	3001859	1374	1167	26411	36302	2676	1235	2481091	3134097	5615188
	16.3	11.4	10.1	12.5	13.5	17.9	8.2	10.8	0.6	0.4	10.3	12.3	11.3
R19 201–R38 400	209671	66506	1436685	1139951	1553	956	16767	14104	1820	461	1666496	1221978	2888474
	16.5	8.1	6.5	4.8	15.2	14.7	5.2	4.2	0.4	0.2	6.9	4.8	5.8
R38 401–R76 800	129790	40158	1171454	785352	1526	610	13031	8747	872	118	1316673	834985	2151658
	10.2	4.9	5.3	3.3	15.0	9.3	4.0	2.6	0.2	0.0	5.4	3.3	4.3
R76 801–R153 600	74798	42562	906355	791804	1068	570	11019	9330	400	94	993640	844360	1838000
	5.9	5.2	4.1	3.3	10.5	8.7	3.4	2.8	0.1	0.0	4.1	3.3	3.7
R153 601 – R307 200	66327	36475	677954	534133	731	463	8033	6783	348	212	753393	578066	1331459
	5.2	4.4	3.1	2.2	7.2	7.1	2.5	2.0	0.1	0.1	3.1	2.3	2.7
R307 201–R614 400	43462	17295	313124	165947	412	105	3689	2012	248	44	360935	185403	546338
	3.4	2.1	1.4	0.7	4.0	1.6	1.1	0.6	0.1	0.0	1.5	0.7	1.1
R614 401–R1 228 800	18834	5094	101038	39407	101	12	1392	474	84	11	121449	44998	166447
	1.5	0.6	0.5	0.2	1.0	0.2	0.4	0.1	0.0	0.0	0.5	0.2	0.3
R1 228 801–R2 457 600	5648	1790	33464	18776	48	24	636	458	80	23	39876	21071	60947
	0.4	0.2	0.2	0.1	0.5	0.4	0.2	0.1	0.0	0.0	0.2	0.1	0.1
R2 457 601 or more	3140	1102	23995	12711	39	23	439	283	23	11	27636	14130	41766
	0.2	0.1	0.1	0.1	0.4	0.4	0.1	0.1	0.0	0.0	0.1	0.1	0.1
Unspecified	77849	77568	1712356	1826004	1210	828	81116	83182	838	1158	1873369	1988740	3862109
	6.1	9.4	7.7	7.6	11.9	12.7	25.1	24.7	0.2	0.4	7.7	7.8	7.8
Missing	6566	3698	23712	16803			2734	2582	421697	292145	454709	315228	769937
	0.5	0.4	0.1	0.1	0.0	0.0	0.8	0.8	96.5	95.8	1.9	1.2	1.6
Total	1267972	823008	22143504	23959758	10306	6625	323066	337436	436893	304861	24181742	25431688	49613430
	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 1 above includes the number of income earners from the 2011 census across income groups. In total, 4.9 million individuals were identified according to their country of birth. The table shows that 46,103,262 (22,143,504 males and 23,959,758 females) were born in South Africa, 2,090,980 (1,267,972 males and 823,008 females) were non-South African born, and 16,931 (10,306 males and 6,625 females) did not know where they were born. Table 2 below includes the distribution of PIT across major taxable income groups. The table shows that the income of non-South African born migrants has a ‘fatter tail’ at the top end of the income distribution, for example, 1.5% (male) and 1.1% (female) non-South African born migrants earn R2,457,601 or more, compared to 1.2% (male) and 0.8% (female) South Africans. Although the percentages seem small, the PIT contribution is significant to the fiscus.

Turkish Economic Review

Table 2. PIT from census

	Non SA		SA		Do not know		Unspecified		Missing		Total		Grand total
	M	F	M	F	M	F	M	F	M	F	M	F	
R76 801–R153 600	74798	42562	906355	791804	1068	570	11019	9330	400	94	993640	844360	1838000
	35.2	40.8	44.1	50.7	44.5	47.6	43.7	48.2	33.8	23.8	43.3	50.0	46.1
R153 601 – R307 200	66327	36475	677954	534133	731	463	8033	6783	348	212	753393	578066	1331459
	31.3	35.0	33.0	34.2	30.5	38.7	31.9	35.1	29.4	53.7	32.8	34.2	33.4
R307 201–R614 400	43462	17295	313124	165947	412	105	3689	2012	248	44	360935	185403	546338
	20.5	16.6	15.2	10.6	17.2	8.8	14.6	10.4	21.0	11.1	15.7	11.0	13.7
R614 401–R1 228 800	18834	5094	101038	39407	101	12	1392	474	84	11	121449	44998	166447
	8.9	4.9	4.9	2.5	4.2	1.0	5.5	2.5	7.1	2.8	5.3	2.7	4.2
R1 228 801–R2 457 600	5648	1790	33464	18776	48	24	636	458	80	23	39876	21071	60947
	2.7	1.7	1.6	1.2	2.0	2.0	2.5	2.4	6.8	5.8	1.7	1.2	1.5
R2 457 601 or more	3140	1102	23995	12711	39	23	439	283	23	11	27636	14130	41766
	1.5	1.1	1.2	0.8	1.6	1.9	1.7	1.5	1.9	2.8	1.2	0.8	1.0
Total	212209	104318	2055930	1562778	2399	1197	25208	19340	1183	395	2296929	1688028	3984957
	100	100	100	100	100	100	100	100	100	100	100	100	100

Table 3 includes the number of income earners from the census, assessment and IRP5 data across income groups. The proportion of ‘no income’ between the non-South African born migrants and South Africans showed that there was a significant difference between the two when considering the census data, i.e., 35.1% of migrants and 44.7% of South Africans had no income.

Table 3. Number of income earners

	Census		Assessment			IRP5		
	Non SA	SA	SA	Non SA	Unknown	SA	Non SA	Unknown
No income	630314	20761211	189829	6788	5154	4308	183	70
	35.1	44.7	3.6	6.0	9.1	0.0	0.1	0.0
Negative			80657	5519	981			
			1.5	4.9	1.7			
R1 – R4 800	65984	8871590	54874	1465	585	2605334	33410	219312
	3.7	19.1	1.1	1.3	1.0	17.3	14.9	30.1
R4 801–R9 600	105021	1653851	51861	1496	634	1359468	22168	85756
	5.9	3.6	1.0	1.3	1.1	9.0	9.9	11.8
R9 601–R19 200	285001	5802759	101496	2930	1221	1708157	26254	101272
	15.9	12.5	1.9	2.6	2.1	11.3	11.7	13.9
R19 201–R38 400	262029	2981050	236116	6273	2660	2330369	30692	103807
	14.6	6.4	4.5	5.6	4.7	15.5	13.6	14.2
R38 401–R76 800	158839	2222356	817082	17003	8126	2282305	34199	91744
	8.9	4.8	15.7	15.1	14.3	15.2	15.2	12.6
R76 801–R153 600	106964	1896026	1520450	22243	12478	2115421	29029	72099
	6.0	4.1	29.2	19.7	22.0	14.1	12.9	9.9
R153 601 – R307 200	92129	1371404	1444610	22727	12122	1757249	23307	30574
	5.1	3.0	27.7	20.1	21.3	11.7	10.4	4.2
R307 201–R614 400	55067	562089	537522	16287	7159	662910	15632	15144
	3.1	1.2	10.3	14.4	12.6	4.4	7.0	2.1
R614 401–R1 228 800	22067	170793	140860	7600	3298	186734	7691	6133
	1.2	0.4	2.7	6.7	5.8	1.2	3.4	0.8
R1 228 801–R2 457 600	6677	62042	29456	1965	1725	34578	1866	2226
	0.4	0.1	0.6	1.7	3.0	0.2	0.8	0.3
R2 457 601 or more	3717	42576	8427	582	704	8335	477	1005
	0.2	0.1	0.2	0.5	1.2	0.1	0.2	0.1
Total	1793810	46397746	5213240	112878	56847	4765259	78037	127198
	100	100	100	100	100	100	100	100

Turkish Economic Review

Table 4 indicates that 286,622 taxpayers contributed to the PIT during the 2011 census, of which only 71,404 were assessed. This indicates that only a small proportion (24.9%) of non-South Africans were assessed, although 78,002 (27.2%) received IRP5s. An investigation into the definition of a naturalized citizen is required because it is possible that some non-South African born people whose parents are SA citizens are not considered naturalized citizens. If this is not the case, it seems that there is potentially some leakage in the system. The unknown from the assessment and IRP5 data are the taxpayers who did not have South African IDs or passport numbers. A substantial number of unknown people were assessed (37,486), while 127,181 unknown taxpayers received IRP5s.

Table 4. PIT contributors by income category

	Census		Assessment			IRP5		
	Non SA	SA	SA	Non SA	Unknown	SA	Non SA	Unknown
R76 801–R153 600	106964	1896026	1520450	22243	12478	2115421	29029	72099
	37.3	46.2	41.3	31.2	33.3	44.4	37.2	56.7
R153 601 – R307 200	92129	1371404	1444610	22727	12122	1757249	23307	30574
	32.1	33.4	39.2	31.8	32.3	36.9	29.9	24.0
R307 201–R614 400	55067	562089	537522	16287	7159	662910	15632	15144
	19.2	13.7	14.6	22.8	19.1	13.9	20.0	11.9
R614 401–R1 228 800	22067	170793	140860	7600	3298	186734	7691	6133
	7.7	4.2	3.8	10.6	8.8	3.9	9.9	4.8
R1 228 801–R2 457 600	6677	62042	29456	1965	1725	34578	1866	2226
	2.3	1.5	0.8	2.8	4.6	0.7	2.4	1.8
R2 457 601 or more	3717	42576	8427	582	704	8335	477	1005
	1.3	1.0	0.2	0.8	1.9	0.2	0.6	0.8
Total	286622	4104930	3681325	71404	37486	4765227	78002	127181
	100	100	100	100	100	100	100	100

Figure 1 shows that a substantial number of non-South African born migrants (6%), South Africans (3.6%) and unknown individuals (9.1%) with 'no income' were assessed. Furthermore, assessment of individuals with 'negative income' were also performed. The latter indicates that 4.9% of non-South African born migrants, 1.5% of South Africans and 1.7% of unknown individuals had negative incomes, which is considered a reported loss. The assessed losses may not only reflect a loss for that tax year, but also may include accumulated losses carried forward from previous tax years. If an individual, therefore, had a taxable profit for the year, it is possible that they could still be in an assessed loss position if the taxable profit for the year was insufficient to clear the assessed loss brought forward.

Turkish Economic Review

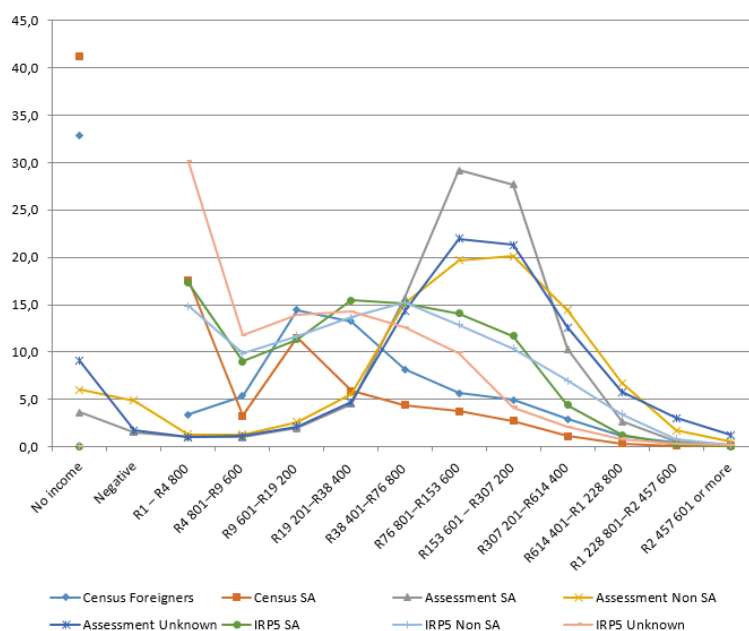


Figure 1. Income earners from census, assessment and IRP5 data

Figure 2 shows the distribution of PIT from census, assessment and IRP5 data across the major taxable income groups. For instance, the figure shows that in 2011, 31.2% of the assessed non-South African born migrants, South Africans (41.3%) and unknown individuals (33.3%) had taxable incomes between R76,801 and R153,600.

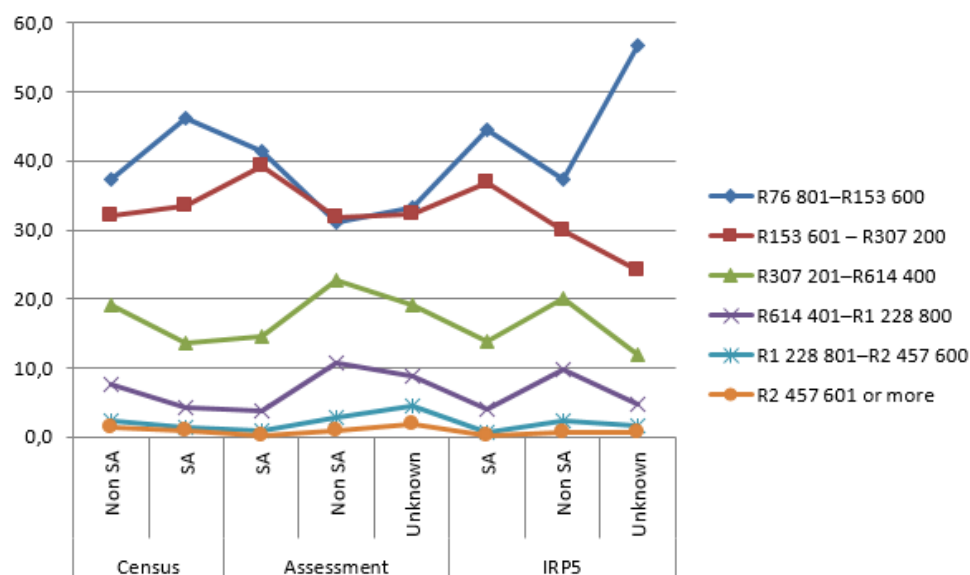


Figure 2. PIT from census, assessment and IRP5 data

Table 5 includes the number of income earners from the assessment data by gender across the income groups. In total, 5.4 million assessed income earners were identified in 2011. The table shows that 5,213,240 (2,956,810 males and 2,256,430 females) were born in South Africa, 112,878 (71,306 males and 41,572 females) were non-South African born, and 56,847 (1,197

Turkish Economic Review

males, 448 females and 55,202 unknown) could not be identified as they had no South African identity document.

Table 5. *Income earners from assessment data*

Income bracket		SA		Non SA		Unknown			Sub Total			Gross Total
		M	F	M	F	M	F	Unknow	M	F	Unknown	
Negative	Freq	53338	27319	3531	1988	9	2	970	56878	29309	970	87157
	%	1.8	1.2	5.0	4.8	0.8	0.4	1.8	1.9	1.3	1.8	1.6
No lcome	Freq	108902	80927	3732	3056	65	32	5057	112699	84015	5057	201771
	%	3.7	3.6	5.2	7.4	5.4	7.1	9.2	3.7	3.7	9.2	3.7
R1 - R4800	Freq	28425	26449	717	748	14	3	568	29156	27200	568	56924
	%	1.0	1.2	1.0	1.8	1.2	0.7	1.0	1.0	1.2	1.0	1.1
R4801 - R9600	Freq	27628	24233	789	707	8	2	624	28425	24942	624	53991
	%	0.9	1.1	1.1	1.7	0.7	0.4	1.1	0.9	1.1	1.1	1.0
R9601 - R19200	Freq	54895	46601	1533	1397	21	8	1192	56449	48006	1192	105647
	%	1.9	2.1	2.1	3.4	1.8	1.8	2.2	1.9	2.1	2.2	2.0
R19201 - R38400	Freq	133104	103012	3517	2756	47	14	2599	136668	105782	2599	245049
	%	4.5	4.6	4.9	6.6	3.9	3.1	4.7	4.5	4.6	4.7	4.6
R38401 - R76800	Freq	458903	358179	10501	6502	226	48	7852	469630	364729	7852	842211
	%	15.5	15.9	14.7	15.6	18.9	10.7	14.2	15.5	15.9	14.2	15.6
R76801 - R153600	Freq	804707	715743	13015	9228	267	92	12119	817989	725063	12119	1555171
	%	27.2	31.7	18.3	22.2	22.3	20.5	22.0	27.0	31.5	22.0	28.9
R153601 - R307200	Freq	773779	670831	13450	9277	280	115	11727	787509	680223	11727	1479459
	%	26.2	29.7	18.9	22.3	23.4	25.7	21.2	26.0	29.6	21.2	27.5
R307201 - R614400	Freq	370261	167261	11914	4373	129	67	6963	382304	171701	6963	560968
	%	12.5	7.4	16.7	10.5	10.8	15.0	12.6	12.6	7.5	12.6	10.4
R614401 - R1228800	Freq	110143	30717	6310	1290	126	56	3116	116579	32063	3116	151758
	%	3.7	1.4	8.8	3.1	10.5	12.5	5.6	3.8	1.4	5.6	2.8
R1228801 - R2457600	Freq	25144	4312	1760	205	4	7	1714	26908	4524	1714	33146
	%	0.9	0.2	2.5	0.5	0.3	1.6	3.1	0.9	0.2	3.1	0.6
R2457601 or more	Freq	7581	846	537	45	1	2	701	8119	893	701	9713
	%	0.3	0.0	0.8	0.1	0.1	0.4	1.3	0.3	0.0	1.3	0.2
Total	Freq	2956810	2256430	71306	41572	1197	448	55202	3029313	2298450	55202	5382965
	%	100	100	100	100	100	100	100	100	100	100	100

Table 6 shows the distribution of PIT from the assessment data by gender across the major taxable income groups. In total, 3.7 million assessed taxpayers were identified as contributors of PIT in 2011. Of the total assessed, 3,681,325 (2,091,615 males and 1,589,710 females) were born in South Africa, 71,404 (46,986 males and 24,418 females) were non-South African born, and 37,486 (807 males, 339 females and 36,340 unknown) could not be identified as they had no South African identity document.

Table 6. *PIT from assessment data*

Income bracket		SA		Non SA		Unknown			Sub Total			Gross Total
		M	F	M	F	M	F	Unknow	M	F	Unknown	
R76801 - R153600	Freq	804707	715743	13015	9228	267	92	12119	817989	725063	12119	1555171
	%	38.5	45.0	27.7	37.8	33.1	27.1	33.3	38.2	44.9	33.3	41.0
R153601 - R307200	Freq	773779	670831	13450	9277	280	115	11727	787509	680223	11727	1479459
	%	37.0	42.2	28.6	38.0	34.7	33.9	32.3	36.8	42.1	32.3	39.0
R307201 - R614400	Freq	370261	167261	11914	4373	129	67	6963	382304	171701	6963	560968
	%	17.7	10.5	25.4	17.9	16.0	19.8	19.2	17.9	10.6	19.2	14.8
R614401 - R1228800	Freq	110143	30717	6310	1290	126	56	3116	116579	32063	3116	151758
	%	5.3	1.9	13.4	5.3	15.6	16.5	8.6	5.4	2.0	8.6	4.0
R1228801 - R2457600	Freq	25144	4312	1760	205	4	7	1714	26908	4524	1714	33146
	%	1.2	0.3	3.7	0.8	0.5	2.1	4.7	1.3	0.3	4.7	0.9
R2457601 or more	Freq	7581	846	537	45	1	2	701	8119	893	701	9713
	%	0.4	0.1	1.1	0.2	0.1	0.6	1.9	0.4	0.1	1.9	0.3
		2091615	1589710	46986	24418	807	339	36340	2139408	1614467	36340	3790215
		100	100	100	100	100	100	100	100	100	100	100

Turkish Economic Review

Figure 3 shows the distribution of assessed PIT by gender. The majority of South African females (45%) earn between R76,801 and R307,200, while 38% of non-South African born females earn between R153 601 – R 307.

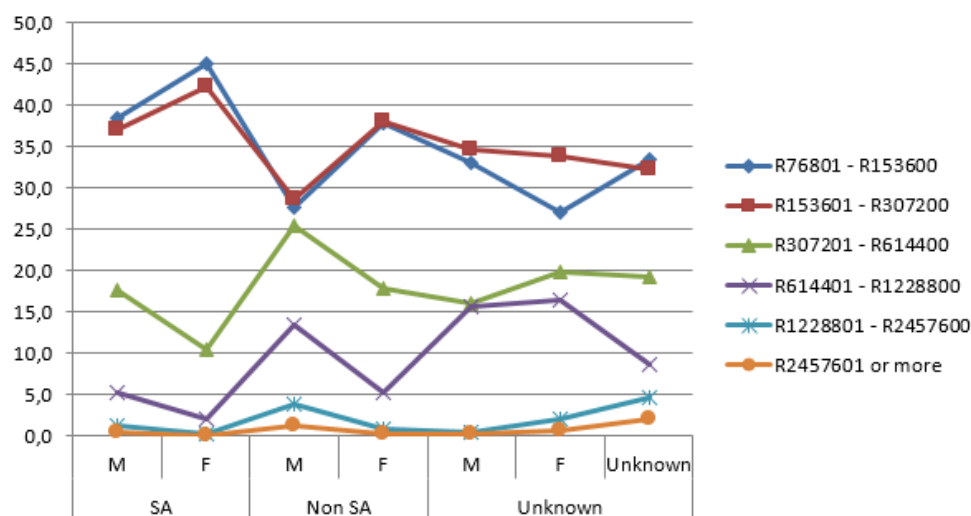


Figure 3. PIT from assessment data

Table 7 includes the number of income earners as per the IRP5 data by gender across income groups. In total, 16 million IRP5s were submitted in 2011. The table shows that 15,055,168 (8,484,522 males and 6,570,646 females) were born in South Africa, 224,908 (152,187 males and 72,721 females) were non-South African born, and 729,142 (5,617 males and 723,525 females) could not be identified as they had no South African identity document.

Table 7. Income earners from IRP5 data

	SA		Non SA		Unknown		Total		Gross Total
	M	F	M	F	M	F	M	F	
No Income	2878	1430	132	51	2	68	3012	1549	4561
	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
R1 - R4800	1358085	1247249	20903	12507	1145	218167	1380133	1477923	2858056
	16.0	19.0	13.7	17.2	20.4	30.2	16.0	20.1	17.9
R4801 - R9600	727575	631893	14693	7475	567	85189	742835	724557	1467392
	8.6	9.6	9.7	10.3	10.1	11.8	8.6	9.8	9.2
R9601 - R19200	928294	779863	17823	8431	672	100600	946789	888894	1835683
	10.9	11.9	11.7	11.6	12.0	13.9	11.0	12.1	11.5
R19201 - R38400	1278225	1052144	21688	9004	868	102939	1300781	1164087	2464868
	15.1	16.0	14.3	12.4	15.5	14.2	15.0	15.8	15.4
R38401 - R76800	1381448	900857	23723	10476	1068	90676	1406239	1002009	2408248
	16.3	13.7	15.6	14.4	19.0	12.5	16.3	13.6	15.0
R76801 - R153600	1214349	901072	18902	10127	650	71449	1233901	982648	2216549
	14.3	13.7	12.4	13.9	11.6	9.9	14.3	13.3	13.8
R153601 - R307200	956604	800645	14281	9026	371	30203	971256	839874	1811130
	11.3	12.2	9.4	12.4	6.6	4.2	11.2	11.4	11.3
R307201 - R614400	455250	207660	11515	4117	167	14977	466932	226754	693686
	5.4	3.2	7.6	5.7	3.0	2.1	5.4	3.1	4.3
R614401 - R1228800	145044	41690	6402	1289	101	6032	151547	49011	200558
	1.7	0.6	4.2	1.8	1.8	0.8	1.8	0.7	1.3
R1228801 - R2457600	29296	5282	1684	182	3	2223	30983	7687	38670
	0.3	0.1	1.1	0.3	0.1	0.3	0.4	0.1	0.2
R2457601 or more	7474	861	441	36	3	1002	8917	1899	10816
	0.1	0.0	0.3	0.0	0.1	0.1	0.1	0.0	0.1
Total	8484522	6570646	152187	72721	5617	723525	8643325	7366892	16010217
	100	100	100	100	100	100	100	100	

Turkish Economic Review

Table 8 shows the distribution of PIT from IRP5 data by gender across major taxable income groups. In total, 4.9 million IRP5s eligible for PIT were submitted in 2011. The table shows that 4,765,227 (2,808,017 males and 1,957,210 females) were born in South Africa, 78,002 (53,225 males and 24,777 females) were non-South African born, and 2,990,717 (1,295 males, 125,886 females and 2,863,536 unknown) could not be identified as they had no South African identity document.

Table 8. PIT from IRP5 data

	SA		Non SA		Unknown		Total		Gross Total
	M	F	M	F	M	F	M	F	
R76801 - R153600	1214349	901072	18902	10127	650	71449	1233901	982648	2216549
	43.2	46.0	35.5	40.9	50.2	56.8	43.1	46.6	44.6
R153601 - R307200	956604	800645	14281	9026	371	30203	971256	839874	1811130
	34.1	40.9	26.8	36.4	28.6	24.0	33.9	39.8	36.4
R307201 - R614400	455250	207660	11515	4117	167	14977	466932	226754	693686
	16.2	10.6	21.6	16.6	12.9	11.9	16.3	10.8	14.0
R614401 - R1228800	145044	41690	6402	1289	101	6032	151547	49011	200558
	5.2	2.1	12.0	5.2	7.8	4.8	5.3	2.3	4.0
R1228801 - R2457600	29296	5282	1684	182	3	2223	30983	7687	38670
	1.0	0.3	3.2	0.7	0.2	1.8	1.1	0.4	0.8
R2457601 or more	7474	861	441	36	3	1002	8917	1899	10816
	0.3	0.0	0.8	0.1	0.2	0.8	0.3	0.1	0.2
	2808017	1957210	53225	24777	1295	125886	2863536	2107873	4971409
	100	100	100	100	100	100	100	100	100

Figure 4 shows the distribution of PIT from the IRP5 data by gender across the major taxable income groups. The majority of unknown females (56.8%), South African females (46%) and non-South African born females (40.9%) earn between R76,801 and R307,200 annually, while 0.8% of unknown females receive the largest income of more than R2,457,601. This is an indication that PIT's contribution to the fiscus reflects the income inequalities in the South African society.

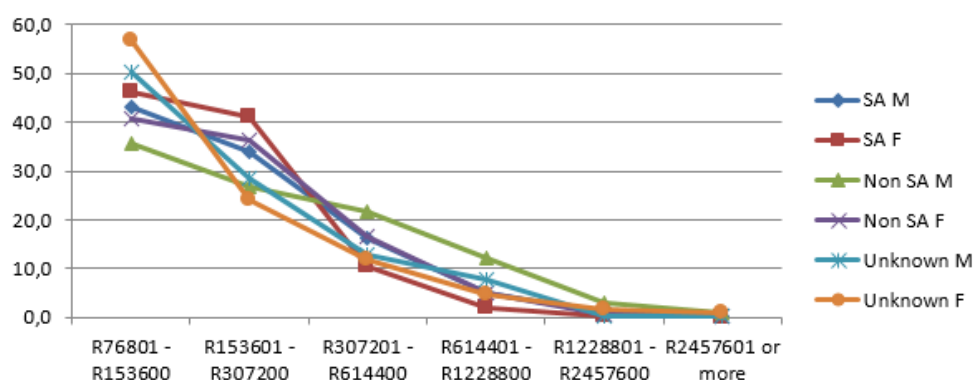


Figure 4. PIT from IRP5 data

Figure 5 shows the income distribution of non-South African born migrants and South Africans from the 2011 census. The proportion of 'no income' for the non-South African born migrants and South Africans shows that there is a significant difference between the two. The migrants and South

Turkish Economic Review

Africans record 35.1% and 44.7% of people with no income, respectively. In addition, the majority of non-South African born migrants (15.9%) earn between R9,601 and R19,200 annually, while the majority of South Africans (19.1%) earn between R1 and R4,800 annually.

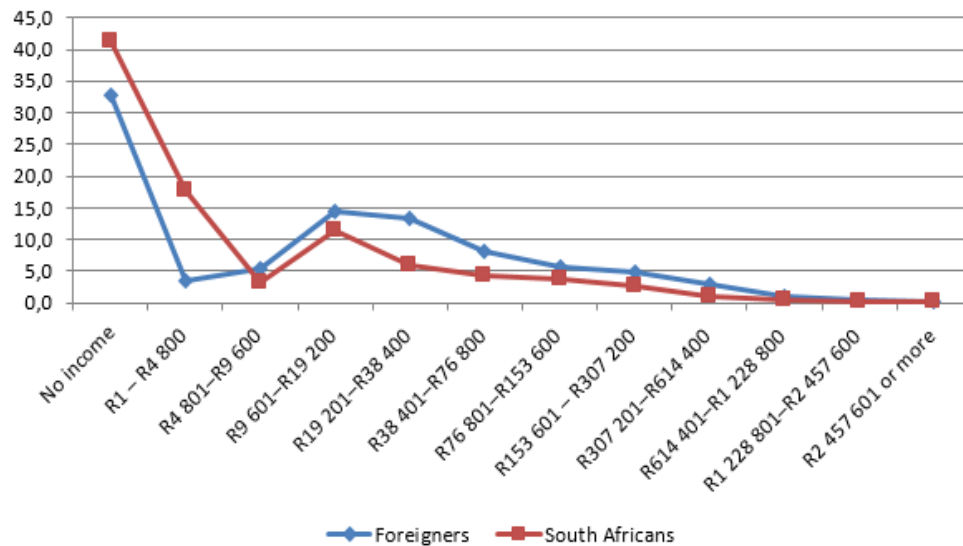


Figure 5. *Income distribution of foreigners and South Africans from Census 2011*

According to Census 2011, the largest proportion of non-South African born migrants who are employed in South Africa come from Zimbabwe (31.1%), followed by Mozambique (17.9%), Lesotho (7.5%), Malawi (4.0%), UK (3.8%), Namibia (1.9%), Swaziland (1.7%), India (1.5%), Zambia (1.4%), Nigeria (1.3%), Ethiopia (1.3%) and Congo Brazzaville (1.2%).

The largest group of top-income earners were born in the UK, followed by Zimbabwe and Mozambique. Indeed, typical of a middle-income or more advanced developing country, Figure 6 shows that the biggest contributors of taxpayers who earn R2,457,601 or more were born in UK.

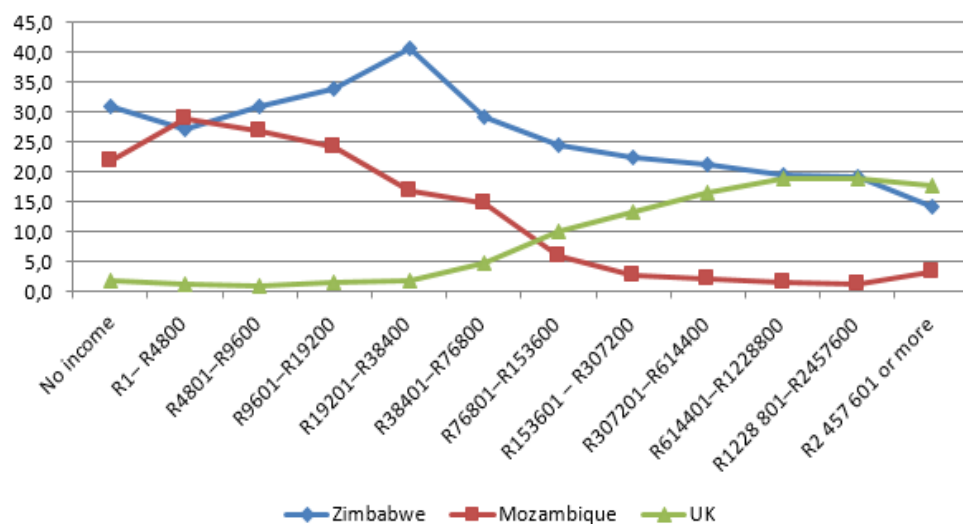


Figure 6. *Income distribution of selected foreign born residents from Census 2011*

Turkish Economic Review

We attempted to calculate the labor absorption rate as the proportion of employed non-South African born migrants to total population employed versus South African born. Figure 7 indicates that in 2011, non-South African born migrants and South Africans made up 48.7% and 22.3% of the employment rate, respectively.

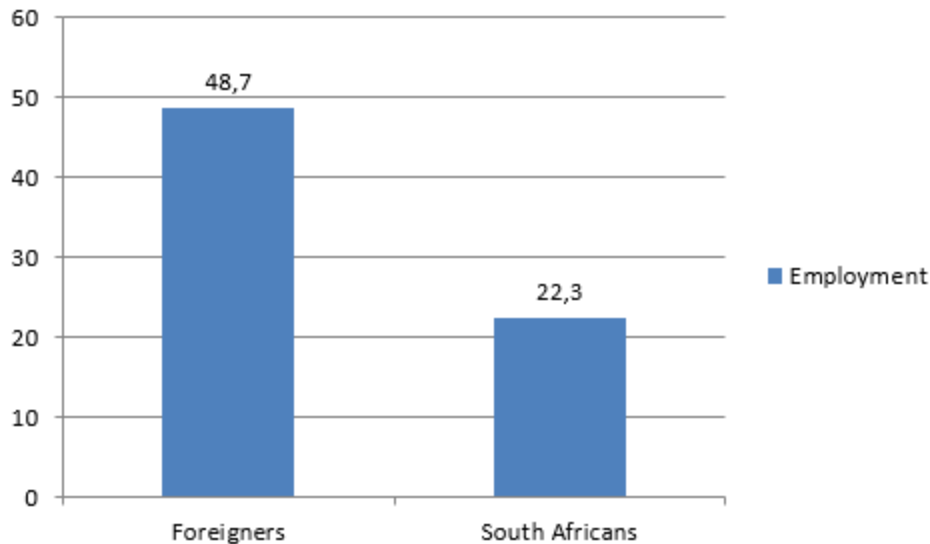


Figure 7. *Labor absorption rate for foreigners and South Africans from Census 2011*

5. Policy concerns

South African policy can contribute to making better use of migrants' skills, which would alleviate current and future skill shortages. This study finds that, broadly speaking, non-South African born migrants and ethnic minorities are particularly susceptible to unemployment, inactivity and job mismatches, some of which are associated with perceived discrimination and negative views about migration. There is a clear role for governments to stress the positive effects of migration and to counter discrimination, which should make it easier for these groups to gain employment. However, there may also be a need for special assistance to help them find jobs, which could involve training, assistance in building up networks, and possibly temporary employment to gain experience. This suggests that there is an important role for public employment services in preparing both groups so that they are more competitive when applying for jobs. Transferability to the host country of skills and qualifications acquired in the country of origin is a central issue. While considerable progress has been made to recognize the different qualifications of non-South African countries, progress in absorbing scarce skills from foreign countries has been less successful. Common standards should be established so that the best skills and practices from foreign countries are retained.

On the employer side, giving workers more job autonomy is associated with a lower probability of overeducation. This may be eased by giving both migrants and South Africans greater training opportunities, perhaps including language training.

6. Conclusion

This article evaluated the contribution of PIT through census, assessment and IRP5 data associated with both South Africans and people not born in South Africa. Although taxpayers' contribution to the fiscus reflects the income inequalities in South African society, this study indicates that 286,622 PIT contributors were identified during the 2011 census, of which only 71,404 were assessed. This indicates that a small proportion (24.9%) of non-South Africans were assessed, although 78,002 (27.2%) received IRP5s.

In total, 3.7 million assessed taxpayers were identified as contributors of PIT in 2011. Of the total assessed, 3,681,325 (2,091,615 males and 1,589,710 females) were born in South Africa, 71,404 (46,986 males and 24,418 females) were non-South African born, and 37,486 (807 males, 339 females and 36,340 unknown) could not be identified as they had no South African identity document.

References

- Baker, M., & Benjamin, D. (1994). The performance of immigrants in the Canadian labor market. *Journal of Labor Economics*, 12(3), 369-405. doi. [10.1086/298349](https://doi.org/10.1086/298349)
- Banerjee, B. (1983). Social networks in the migration process: Empirical evidence on chain migration in India. *The Journal of Developing Areas*, 17(2), 185-196.
- Battu, H., & Sloane P.J. (2004). Over-education and ethnic minorities in Britain. *Manchester School*, 72(4), 535-559. doi. [10.1111/j.1467-9957.2004.00407.x](https://doi.org/10.1111/j.1467-9957.2004.00407.x)
- Bauer, T., & Klaus, F.Z. (1997). Network migration of ethnic Germans. *International Migration Review*, 31(1), 143-149.
- Beggs, J.J., & Chapman, B.J. (1988). Immigrant wage adjustment in Australia: cross-section and time-series estimates. *Economic Record*, 64(3), 161-167.
- Borjas, G.J. (1989). Immigrant and emigrant earnings: A longitudinal study. *Economic Inquiry*, 27, 21-37. doi. [10.1111/j.1475-4932.1988.tb02054.x](https://doi.org/10.1111/j.1475-4932.1988.tb02054.x)
- Borjas, G.J., Stephen G.B., & Stephen J.T. (1992). Self-selection and internal migration in the United States. *Journal of Urban Economics*, 32(2), 159-185. doi. [10.1016/0094-1190\(92\)90003-4](https://doi.org/10.1016/0094-1190(92)90003-4)
- Bowles, S., & Dorrit, P. (2005). Genetic relatedness predicts South African migrant workers' remittances to their families. *Nature*, 434, 380-383. [10.1038/nature03420](https://doi.org/10.1038/nature03420)
- Caces, F. (1986). Immigrant recruitment in to the labour force: Social networks among filipinos in Hawaii. *Amerasia Journal*, 13(1), 23-28. doi. [10.17953/amer.13.1.90240q800m237016](https://doi.org/10.17953/amer.13.1.90240q800m237016)
- CEDEFOP. (2011). Migrants, minorities, mismatch? Skill mismatch among migrants and ethnic minorities in Europe. European Centre for the Development of Vocational Training, Research Paper, No.16.
- Chatagny, F., & Soguel, N.C. (2009). Tax revenue forecasting in the Swiss cantons: A time series analysis. *Chavannes-près-Renens*, Switzerland: IDHEAP.
- Chiswick, B.R., & Miller, P.W. (2009). Earnings and occupational attainment among immigrants. *Industrial Relations A Journal of Economy and Society*, 48(3), 454-465. doi. [10.1111/j.1468-232X.2009.00568.x](https://doi.org/10.1111/j.1468-232X.2009.00568.x)
- Jayasekara, N., & Passty B.W. (2009). City of Cincinnati income tax revenue: A forecast based on economic data and causal inference. Cincinnati, Ohio: University of Cincinnati.
- De Haas, H. (2010). Migration and development: A theoretical perspective. *International Migration Review*, 44(1), 227-264. doi. [10.1111/j.1747-7379.2009.00804.x](https://doi.org/10.1111/j.1747-7379.2009.00804.x)
- Dell'aringa, C., & Pagani, L. (2010). *Labour market assimilation and overeducation: the case of immigrant workers in Italy*. Milan: Catholic University of Milan, Department of Economics Working Paper, No.58.
- Dex, S., & Lindley, J.K. (2007). *Labour market job matching for UK minority ethnic groups*. Sheffield: University of Sheffield, Department of Economics, SERP, No.2007003. [Retrieved from].
- European Commission. (2008). The labour market situation and impact of recent third country migrants. In: European Commission (2008). *Employment in Europe 2008*. Luxembourg: Publications Office, p.43-108.
- Herbert, M. 2022. The Challenge of coordinating border management assistance between Europe and the Maghreb. Migration Policy Institute.
- Lianos, T.P. (2007). Brain drain and brain loss: immigrants to Greece. *Journal of Ethnic and Migration Studies*, 33(1), 129-140. doi. [10.1080/13691830601043562](https://doi.org/10.1080/13691830601043562)
- Lindley, J. (2009). The overeducation of UK immigrants and minority ethnic groups: evidence from the labour force survey. *Economics of Education Review*, 28(1), 80-89. doi. [10.1016/j.econedurev.2007.11.003](https://doi.org/10.1016/j.econedurev.2007.11.003)
- Lucas, R.E.B. (1997). Internal migration in developing countries. *Handbook of Population and Family Economics* Vol.1, 721-798.
- Massey, D.S. (1990). Social structure, household strategies, and the cumulative causation of migration. *Population Index*, 56(1), 3-26. doi. [10.2307/3644186](https://doi.org/10.2307/3644186)
- Massey, D.S., & Kristin, E.E. (1997). What's driving Mexico-U.S. migration? A theoretical, empirical, and policy analysis. *American Journal of Sociology*, 102(4), 939-999. doi. [10.1086/231037](https://doi.org/10.1086/231037)
- OECD, (2012). *A profile of immigrant populations in the 21st century; data from OECD countries*. Paris: OECD.

Turkish Economic Review

- Refwold. (2008). World Refugee Survey 2008, [Retrieved from].
- Posel, D. (2010). Households and labour migration in post-apartheid South Africa. *Studies in Economics and Econometrics*, 34(3), 129–141. doi. [10.1080/10800379.2010.12097213](https://doi.org/10.1080/10800379.2010.12097213)
- SARS. (2014). South African tax statistics (national publication). Pretoria, South Africa: Author. [Retrieved from].
- SARS. (2016). South African tax statistics. National publication, South Africa. [Retrieved from].
- SARS (2017). South African tax statistics (national publication). Pretoria, South Africa: Author. [Retrieved from].
- SARS (2020). South African tax statistics (national publication). Pretoria, South Africa: Author. [Retrieved from].
- SARS (2021). South African tax statistics (national publication). Pretoria, South Africa: Author. [Retrieved from].
- Shields, M.A., & Price, S.W. (1998). The earnings of male immigrants in England: evidence from the quarterly LFS. *Applied Economics*, 30(9), 1157-1168. doi. [10.1080/000368498325057](https://doi.org/10.1080/000368498325057)
- Stats SA. (2011). Census. [Retrieved from].
- Stark, S., & Bloom, D. 1985. The new economics of labor migration. *American Economic Review*, 75(2), 173-78.



Copyrights

Copyright for this article is retained by the author(s), with first publication rights granted to the journal. This is an open-access article distributed under the terms and conditions of the Creative Commons Attribution license (<http://creativecommons.org/licenses/by-nc/4.0>).

